

## EXECUTIVE SECRETARIAT

## Routing Slip

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SUSPENSE \_\_\_\_\_ Date \_\_\_\_\_

Remarks:

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Executive Secretary

9/29/82

Date

5637 (10-81)

State Dept. review completed



DEPARTMENT OF STATE

Washington, D.C. 20520

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Executive Registry

82-12174/1

September 28, 1982

UNCLASSIFIED

(With SECRET Attachment)

Interagency Group No. 31

TO : OVP - Mr. Donald P. Gregg  
NSC - Mr. Michael O. Wheeler  
AID - Mr. Gerald Pagano  
CIA -   
Defense - COL John Stanford  
JCS - MAJ Dennis Stanley  
OMB - Mr. Alton Keel  
Treasury - Mr. David Pickford

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SUBJECT: Interagency Steering Group on Lebanon (ISGL): Summary  
of Conclusions

Attached is the Summary of Conclusions for the Interagency  
Steering Group Meeting on Lebanon held on September 27, 1982.

  
L. Paul Bremer, III  
Executive Secretary

Attachments:

1. Summary of Conclusions
2. List of Participants
3. ISGL Report to the President

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(With SECRET Attachment)



B-223A



DEPARTMENT OF STATE

Washington, D.C. 20520

September 28, 1982

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Interagency Group No. 31

PARTICIPANTS: See List Attached

DATE AND TIME: September 27, 1982, 4:00-5:00 p.m.

PLACE: Deputy Secretary's Conference Room 7219, State Department

SUBJECT: Interagency Steering Group on Lebanon, September 27

SUMMARY

Deputy Secretary Dam convened the ISGL on September 27 to review the status of our Lebanon policy and discuss next steps in regard to our diplomatic efforts, Phase II withdrawal, status of the MNF, and rehabilitation and reconstruction efforts. The Chairman stressed the need to relate next steps to the overall Mid-East peace process rather than allowing ourselves to be bogged down in immediate operational problems. Concerning the report to the President on Lebanon policy, the group agreed that while recent events necessitated revision, the report is basically relevant. Agencies agreed to submit the final report to the White House on October 1.

CIA reported on the internal security situation, noting that Lebanon's greatest internal problem remains the hard-core, right-wing elements of the Phalange. State reviewed the status of diplomatic efforts, the broad objectives of Phase II withdrawal, and the Habib-Draper mission. AID and Treasury reported on the status of reconstruction and rehabilitation. There was consensus that we should move forward on internationalizing reconstruction and rehabilitation under World Bank leadership. It was agreed that the IBRD role need not be held in abeyance until all foreign forces were out of Lebanon but should begin as soon as security conditions permit, at least in Beirut. Treasury agreed to contact Kuwait on its position toward IBRD leadership through Finance Minister channels once the Deputy Secretary gave the go ahead. DOD reported that the survey team would be in Lebanon by the end of the week. The team would return in mid-October and present its final report by the end of October.

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Participants decided to meet again on October 7, pending completion of papers on Peacekeeping, Diplomatic Strategy, Rehabilitation & Reconstruction, and the Internal Security Situation in Lebanon.

ACTION ASSIGNMENTS

1. ISGL Report to the President. State circulated a revised draft and asked for agency comments and updates by noon on Thursday, September 30. A copy of the revised ISGL report is attached.
2. Peacekeeping. DOD, working with State (PM), is to prepare a paper exploring peacekeeping options. Due date: October 5.
3. Diplomatic Strategy. State to prepare a paper on the diplomatic situation and a scenario for moving forward on the diplomatic front. Due date: October 5.
4. Rehabilitation and Reconstruction. AID and Treasury to prepare a joint paper, focusing on internationalizing the relief effort under World Bank leadership.
5. Internal Security Situation. CIA, working with DOD and State (NEA), to prepare an assessment of the security situation, looking into options for assisting Lebanon to stabilize internal conditions.

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INTERAGENCY STEERING GROUP ON LEBANON

September 27, 1982, 4:00-5:00 p.m.

Deputy Secretary's Conference Room 7219, State Department

PARTICIPANTS

State

Deputy Secretary Dam, Chairing  
Mr. Nicholas Veliotis, NEA  
Mr. John Howe, PM  
Ms. Sheila Lopez, S/S-S (Notetaker)

OVP

Mr. Donald Gregg

NSC

Mr. Geoffrey Kemp

AID

Mr. Peter McPherson  
Mr. Alfred White

CIA

Mr. John McMahon

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Defense

Mr. Fred Ikle  
Mr. Francis West

JCS

Lt. Gen. Paul Gorman  
Vice Adm. Thomas Bigley

OMB

Mr. Alton Keel  
Mr. John Eisenhower

Treasury

Mr. Tim McNamar

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MEMORANDUM FOR: THE PRESIDENT

From: George P. Shultz

Subject: Report of the Interagency Steering Group on Lebanon

In approving our diplomatic strategy for the second phase of the Lebanon negotiations, led by Ambassador Morris Draper, you also decided to establish an Interagency Steering Group on Lebanon (ISGL). The ISGL has met twice to consider all aspects of U.S. policy toward Lebanon, within the framework of our objectives to rebuild a strong Lebanon free of all foreign forces. Deputy Secretary Kenneth Dam will continue to chair the ISGL to ensure the full coordination of U.S. policy among all agencies.

The ISGL's principal conclusion is that the attainment of our broad objectives of a strong, secure, independent, and healthy Lebanon will depend on the careful integration of U.S. efforts to rebuild the Lebanese economy, strengthen its national institutions--including the army, and foster national reconciliation. These efforts must proceed apace with Ambassador Draper's negotiations on the withdrawal of all foreign forces. We continue to believe that the basic diplomatic strategy that you discussed with Phil Habib and Morris Draper is the best approach.

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The death of Bashir Gemayel, the subsequent Israeli incursion into West Beirut, and the appalling massacre in the refugee camps have complicated our pursuit of this strategy. We had hoped for earlier progress on a withdrawal of Israeli military forces from the immediate Beirut area. The Israeli incursion into the city after the assassination of Bashir Gemayel frustrated this objective, and the Israeli presence remains the most serious obstacle to establishment of the authority of the government of Lebanon over its capital city. A redeployment out of Beirut would bolster the Government of Lebanon (GOL) in working toward reestablishing government authority and credibility; continued Israeli military positions within the city would have the opposite effect and could damage the Christian-Muslim entente behind Amin Gemayel's electoral coalition. Amin Gemayel, the new President, is particularly concerned with the problem of the Israeli presence and is counting on U.S. help to resist the heavy Israeli pressure being put upon him.

An initial redeployment is also the essential first step in the plan that you approved to seek a workable arrangement, perhaps including an early separation of forces in specific areas, for the simultaneous withdrawal of Israeli and Syrian

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forces along with the removal from Lebanon or the disarmament of all the PLO combatants still left in the country. This arrangement will not be easy to accomplish within the near and certain timeframe that the international community is demanding and that we are committed to with the government of Lebanon.

In other areas, we have identified several problems for the near future:

--Internationalization of the rehabilitation and reconstruction effort requires us to urge upon the IBRD and other potential donors, especially the oil-rich Arab states, a much more active role;

--We must carefully assure that pressing humanitarian needs, which are now more compelling because of the Sabra/Shatila massacre of the Palestinians, are met. Appropriate international agencies--with U.S. support--need to press the Lebanese and the Israelis to be more flexible in caring for the urgent needs of Palestinian refugees;

--Rebuilding the Lebanese Armed Forces (LAF) requires careful study and probably increased financing, and

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decisions on specific military purchases may follow a U.S. Defense Survey Team visit in early October;

--And, tough choices--particularly with the Israelis--may soon be with us on how to assure the security of northern Israel by a viable peacekeeping operation in southern Lebanon.

Most importantly, the U.S. will need perseverance and dedication to help Lebanon. Your leadership and personal involvement are crucial not only for the U.S. effort, but also for the Lebanese.

Brief status reports which highlight our work to date and the problems ahead are attached.

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Attachments:

1. Lebanon's Political Situation
2. Lebanon's Economic Situation
3. The U.S. Role in Relief, Rehabilitation and  
Reconstruction
4. International Coordination of Lebanon Reconstruction
5. Security Assistance to Lebanon
6. Problems of Peacekeeping in Southern Lebanon

Drafted: NEA/ARN:CDWelch

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SECRETLEBANON'S POLITICAL SITUATION

Amin Gemayel, older brother of the late Bashir Gemayel, was voted into office with a broad mandate from all of Lebanon's communities. Most of the opposition Bashir faced, including Lebanon's Sunni Muslims, have set aside earlier objections and appear prepared to work with Amin in restoring strength and authority to the central government. Much will depend on Amin Gemayel's ability to manage the relationship with Israel and to control the Phalange militia.

Amin represents the political side of the Gemayel family; he has never been a strong figure in the Phalange militia, unlike his brother Bashir who drew his strength from that organization. Amin thus is more acceptable to the Muslims, but he may also be less able to control the Maronite hardliners in the Phalange. In fact, there is some evidence that the Israelis may be exploiting their own channels to the militia in order to promote their interests in Lebanon. Despite substantial evidence of a Phalange role in the Sabra and Shatila massacre, most Lebanese have apparently chosen not to implicate Amin in the killings, preferring instead to lay the blame on Israel and the Israeli-controlled "de facto forces" of Sa'ad Haddad.

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The effort of the Government of Lebanon to reestablish its authority in Beirut has been set back by the Israeli invasion of West Beirut. Nevertheless, Lebanese army and police forces are moving into areas relinquished by the Israeli forces and should soon have control of the city. Their presence will be supplemented by the Multinational Force.

Continued Israeli insistence on negotiations with Lebanon for a peace treaty will have the effect of undercutting Amin's legitimacy with Lebanon's Muslims, almost all of whom oppose any treaty with Israel while Lebanon is still under Israeli occupation. Amin Gemayel has appealed for U.S. support in keeping his distance from the Israeli embrace, which he argues is not in the interest of national unity and reconciliation at this time.

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SECRETLEBANON'S ECONOMIC SITUATION

Basic infrastructure has been widely damaged and economic activity disrupted in southern Lebanon and notably Beirut where one-third of Lebanon's three million people reside. West Beirut in particular is where most of Lebanon's excellent schools, hospitals, hotels and commercial facilities are located--major elements in the dominant services sector which accounts for two-thirds of economic activity. The important tourism and air/sea/land transport sectors--chiefly the re-export of goods to other Arab countries--are essentially shut down. Reconstruction needs from the Israeli invasion and from seven years of civil war will run into the billions of dollars--\$12 billion, according to Lebanese authorities. Much of this could come from the Lebanese private sector, and will be supplemented by aid from the U.S. and other industrial countries, with wealthy Arab donors providing the bulk.

While port and airport facilities can be readily repaired, more severe damage was done to housing, commercial facilities, schools, hospitals, sanitation, and roads in both rural and urban areas. One-fourth of West Beirut buildings are essentially destroyed. The southern cities of Sidon and Tyre

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also suffered heavily. Palestinian refugee camps in the south were almost completely destroyed, leaving 50,000 homeless. Beirut, nevertheless, retains much of its appeal as a regional financial and commercial center, though unlikely to regain its predominant position in the Arab world.

Most of the few large industries were undamaged, excepting the Sidon refinery and oil pipeline terminal, which supplied a third of Lebanon's petroleum needs. Smaller enterprises in West Beirut and the south suffered damage and looting. Substantial agricultural output losses have resulted in the south and the Bekaa Valley, and prices suffer from the influx of Israeli produce.

Lebanon has received financial flows of worker remittances from Arab oil producing states, profits from overseas Lebanese firms, official aid, and subsidies to political and military groups. These funds have offset Lebanon's usual trade deficit (\$1.4 billion in 1981) and have contributed to official reserves of several billion dollars in foreign currencies and gold.

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Abundant liquidity in the banking system has financed budget deficits incurred partly as a result of the government's loss of control of tax and customs revenues and, because of unstable security conditions, has supported private speculation in land and foreign exchange rather than productive investment. With political stability, however, the entrepreneurial skills of a resilient and hard-working people and a strong private sector tradition can help the economy to recover and grow.

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THE U.S. ROLE IN RELIEF, REHABILITATION AND RECONSTRUCTION

AID Administrator McPherson, the President's coordinator for Lebanon relief and reconstruction, visited Lebanon twice this summer, meeting with key officials (including President-elect Gemayel), to demonstrate American concern and to assess reconstruction needs. To date we have committed over \$11 million to emergency relief needs. Central to our relief and reconstruction assistance is the underlying objective of strengthening the Lebanese government.

AID has taken the lead in strongly encouraging the World Bank to assume an active and early leadership role in order to leverage other donor resources. At our urging, both the President and President-elect of Lebanon have formally asked the IBRD to put together a consultative group for Lebanon and send out an assessment team. At the IMF/IBRD meeting in Toronto, Peter McPherson spoke with potential donor representatives, most of whom expressed a willingness to support this initiative.

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AID is establishing a non-governmental Private Sector Task Force to mobilize investment for Lebanon and help strengthen Lebanese capacity for reconstruction. We are currently identifying a coordinating mechanism and selecting members of the Task Force, some of whom will be Lebanese-Americans. We are also facilitating the creation of another non-governmental business group to mobilize resources to support people-to-people initiatives for reconstruction and relief activities.

Based on AID's findings in Lebanon, the \$50 million appropriated by Congress will be allocated as follows:

\$10 million for the American University of Beirut and hospital (earmarked by Congress);

\$1.9 million for Beirut University College (urged by Senator Hatfield);

\$10 million for essential life supporting public services in West Beirut;

\$14 million for relief activities, including UN Relief and Works Agency and International Red Cross appeals;

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\$10 million as a U.S. contribution to UNICEF to implement Lebanese rehabilitation of essential public services in South Lebanon;

\$4.1 million contingency fund to provide flexibility in meeting unforeseen needs.

We are notifying Congress of our intent to reprogram an additional \$14.5 million in State Department Refugee and Migrations funds for UNRWA, the UN agency caring for the 150,000 needy Palestinian refugees in Lebanon.

The \$30 million in AID's Housing Investment Guaranty loans will finance the rehabilitation and installation of housing related water and sewage systems, etc. We plan to finance infrastructure assistance to the Government of Lebanon through the Council for Development and Reconstruction (CDR), the government agency responsible for rehabilitation, planning and carrying out this effort. We also plan to finance technical assistance for CDR's reconstruction planning.

The evacuation of the PLO will not in itself bring to Lebanon the environment needed to mount an effective aid and

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private sector program. While the U.S. may be willing to work in less than optimum political and security circumstances -- notably the presence of foreign forces -- other donors and private sector businesses may be more cautious. These uncertainties will affect the scope, composition and location of our activities.

The Lebanese government looks upon the Palestinian refugees as the responsibility of the international community, expecting UNRWA to care for needy refugees, and steadfastly resists absorbing large numbers of Palestinians into Lebanese society because of domestic political implications. Despite Israeli insistence and Lebanese preference that UNRWA not recreate permanent camp-like arrangements for the refugees, there is no other alternative but for us to support UNRWA providing tents at the destroyed camps for the 50,000 homeless Palestinians this winter. AID believes we need to decide the degree to which we will assist the Palestinians, the vehicle for doing so, and review U.S. policy regarding the role of UN organizations in Lebanon in this respect. State believes it is important to maintain UN leadership in dealing with Palestinian refugee issues in Lebanon during this delicate period of our Middle East peace initiative.

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It appears likely that we may have to go back to Congress in FY 1983 for additional funding. One uncertainty is the extent and timing of other donor contributions. Other issues relate to the unassessed rehabilitation needs of West Beirut and the decision on how and when we can phase out funding of emergency relief operations altogether.

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INTERNATIONAL COORDINATION OF  
LEBANON RECONSTRUCTION

Considerable progress was made at the Toronto World Bank/IMF meetings September 3-9 in mobilizing an international effort for Lebanon reconstruction. During the discussions, a formal request from the Lebanese government was received by the Bank to assist in the reconstruction and to organize a consultative group of potential donors. The Bank announced that it would help Lebanon in this regard.

Treasury Assistant Secretary Leland secured general support from his G-6 counterparts for World Bank leadership in the reconstruction effort and for creation of an IBRD-chaired Consultative Group for that purpose. The French were particularly enthusiastic about this mechanism. Secretary Regan raised the issue with both Saudi and Kuwaiti Ministers. The Saudis were mildly supportive but cautious. The Kuwaitis were cooler to the idea and non-committal. Minister Al Hamad saw the usefulness of such a mechanism, but citing the political nature of such a decision, wished to await the conclusion of the Fez Summit before expressing Kuwait's position. Kuwait would neither support nor oppose the proposal at this time.

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A general agreement was reached with World Bank President Clausen at a G-6 (plus Kuwait) luncheon (the Saudi Minister had already left town) that the framework for A bank-led reconstruction effort would begin to be set up, with the Bank sending a study mission to Lebanon initially under the auspices of the UNDP. While we have no assurances from the Bank on the timing of the study mission, Bank officials are well aware of our desire to move quickly, hopefully within the next few weeks. The Agreement with the Bank included certain pre-conditions (notably that Syrian and Israeli troops be withdrawn from Lebanon) for the Bank-led effort to get into full swing. Preliminary steps, including sending official Bank representatives to Lebanon, might begin earlier.

Movement toward a Consultative Group would occur in two stages. The first stage would be a preliminary meeting of donors to assess the findings of the study mission. The second stage would begin when all troops have been withdrawn, at which time a Bank team would go to Lebanon to determine reconstruction and financing requirements. These findings would be presented in a formal donors' meeting (perhaps within two months of the Bank team's assessment).

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SECURITY ASSISTANCE TO LEBANON

The U.S. considers the establishment of a strong central government in Lebanon, capable of extending its authority within all areas of the country, to be a major policy goal in the Middle East. Serious obstacles to the achievement of this goal exist in the form of factional militias and foreign military forces, which continue to control various portions of the country. Our security assistance efforts are intended to help revitalize the Lebanese Armed Forces (LAF) as a multi-confessional and apolitical extension of central government sovereignty throughout Lebanon.

Since 1978, the Department of Defense has worked to reconstitute the LAF. At that time a Defense Survey Team assessed the requirements of the LAF. At present, our security assistance to Lebanon comprises the following elements:

Revalidation of the 1978 Defense Survey (Project New Life)

- A new Defense Requirements Survey Team will go to Lebanon on or about 1 October to assess the capability

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of the LAF to carry out its mission of providing internal security and extending governmental authority throughout Lebanon. The team will look at the LAF's equipment and training requirements, organization, and ability to absorb additional U.S. equipment and training.

Immediate Assistance to LAF

- After the outbreak of war in early June, the GOL requested expedited delivery of a number of items already on order. Prompt action was taken to expedite deliveries, and shipping delays were resolved. A major shipment departed the U.S. for Lebanon on September 7, 1982.
  
- During Secretary Weinberger's September 1 visit to Beirut, a request was made by the GOL for immediate shipment of radio communications equipment to help the LAF carry out its task of deploying into West Beirut. The equipment was quickly located, LOAs were prepared and signed, and transportation was arranged. Initial delivery to Beirut occurred less than 28 hours after the request was made, with final delivery by 5 September.

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- A U.S. Navy Mobile Training Team has been dispatched to Lebanon to train LAF personnel in explosive ordnance disposal techniques.

Consideration of GOL Request for Major Equipment Items

- During the Habib mission this summer, the Government of Lebanon requested a number of major equipment items, including M48A5 tanks, armored cars, trucks, jeeps, TOW launchers and missiles, machine guns and recoilless rifles. Political considerations, as well as the findings of the Survey Team, will be important factors in deciding upon any major items for the LAF.

Security Assistance Funding

- Our proposed FY 83 level of FMS Credit aid to Lebanon is \$15 million, an increase of \$5 million over the FY 82 level. While this reverses a decline in U.S. assistance in recent years--\$42.5 million in 1979, \$22 million in 1980, \$20 million in 1981, and \$10 million in 1982--we will consider even higher levels of funding.

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- For near-term financing requirements, the Government of Lebanon has over \$30 million in available FMS credits--\$20.8 million in unobligated FY 80-81 funds, and \$10 million in unprogrammed FY 82 funds.

Taking into consideration the Defense Requirements Survey Team report, we will develop recommendations for sourcing and financing the recommended equipment and training, and establish a schedule for providing this assistance.

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SECRETPROBLEMS OF PEACEKEEPING IN SOUTHERN LEBANON

The success of any effort to negotiate an Israeli withdrawal from Lebanon will hinge largely upon the peacekeeping arrangements established in the south. Israel will not withdraw its troops unless it is convinced that an effective authority exists in the area that can protect northern Galilee from the harassments by artillery and sabotage that plagued the Israelis in the past. Eventually, of course, the Lebanese government may be looked to for such protection, but it will be some time before that government is strong enough in southern Lebanon to fulfill this role unassisted.

Israel's preferred method of ensuring interim security along its northern border may be to preserve intact the militia of the breakaway Lebanese major, Saad Haddad, whose men have held an Israeli-oriented strip of Lebanese territory along the border for the last several years ("Haddadland"). Perhaps in tandem with other pro-Israeli militias and with a cosmetic connection to the central Lebanese government, Haddad's force may seek to stay in place and even expand in territory as Israel departs. It is certain that Bashir Gemayel, the new Lebanese President, will be unwilling to play this game. It

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contradicts his (and our) expressed policy of building an integrated central government. It would also be unacceptable to Lebanese Muslims and the other Arab parties whose agreement must be won on the terms for a Syrian withdrawal.

The obvious way out of this difficulty is, while insisting on the dissolution of Haddad's militia, to set up an international force that is strong enough to provide the needed security, working jointly with an increasingly assertive Lebanese government. Such a force could be formed either under UN auspices or on an ad hoc multinational basis. Israel would probably prefer the latter, as in Sinai. Israel would seek a U.S. role in such a force. Clearly, however, U.S. participation in a multinational force in Lebanon is out of the question from our own political standpoint. Political problems related to other potential participants also hinder the establishment of this type of peacekeeping group. We believe, therefore, that the answer must lie in an effective UN force.

The UN Security Council, with our support, has preserved the mandate of the existing United Nations Interim Force in Lebanon (UNIFIL) on a temporary basis, in order to keep it alive as a peacekeeping option. Its mandate will expire on October 19. If UNIFIL is to be credible in protecting northern

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Israel, however, it must be considerably strengthened. It must have a new mix of mandate, manpower, and equipment. The Department has devised a working paper outlining a concept for an expanded UNIFIL. It describes a force of about 10,000 men (an increase of 3,000) deployed in an area extending roughly 40 kilometers from the Israeli border. This is the "artillery zone" which has been a major preoccupation of Israel in the past.

Ambassador Draper mentioned the Department's preference for a UN force in a conversation September 13 with the UN Secretariat staff in New York. Draper will take an early opportunity to inform both the Lebanese and the Israelis that we expect to explore this idea with the UN, stressing that we are not foreclosing other options. Depending on how these talks proceed, we expect soon to pursue the matter with the UN, Lebanon, Israel, and other key governments. We recognize that winning Israeli concurrence will not be easy, but we see no other way to negotiate successfully the early withdrawal of all foreign troops from Lebanon and restore the Lebanese government's authority in the south.

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